

VZCZCXRO1915
RR RUEHFK RUEHGH RUEHKSO RUEHNH
DE RUEHKO #0912/01 0940816
ZNY CCCCC ZZH
R 030816Z APR 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC 3128
INFO RUEHBJ/AMEMBASSY BEIJING 2610
RUEHFR/AMEMBASSY PARIS 6035
RUEHUL/AMEMBASSY SEOUL 8637
RUEHFK/AMCONSUL FUKUOKA 7055
RUEHHK/AMCONSUL HONG KONG 6479
RUEHNH/AMCONSUL NAHA 9438
RUEHOK/AMCONSUL OSAKA KOBE 0724
RUEHKSO/AMCONSUL SAPPORO 7651
RUEHGH/AMCONSUL SHANGHAI 0378
RUEHBS/USEU BRUSSELS
RUEHIN/AIT TAIPEI 6970
RUEHGV/USMISSION GENEVA 3284
RUEATRS/TREASURY DEPT WASHDC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RHEHAAA/NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 000912

SIPDIS

SIPDIS

STATE PASS USTR FOR AUSTRS CUTLER AND STRATFORD
USTR ALSO FOR BEEMAN, WINTER
STATE ALSO FOR E, OES, EEB, AND EAP/J
GENEVA ALSO FOR USTR
NSC FOR TONG
TREASURY FOR AMB HOLMER, TSMITH,
TREASURY ALSO IA/DOHNER, WINSHIP, POGGI, CARNES

E.O. 12958: DECL: 04/02/2017

TAGS: [ECIN](#) [ENRG](#) [EINV](#) [PREL](#) [ETTC](#) [JA](#) [CH](#) [KS](#) [OECD](#)

SUBJECT: JAPAN DISCUSSIONS OF TRILATERAL ECON TIES FOCUS ON
CHINA

Classified By: DCM Joseph R. Donovan. Reason: 1.4 (b,d)

11. (C) Summary: Japan's desire to leverage cooperation with the U.S. in dealing with China figured prominently in discussions March 27 between Japanese officials and visiting economic section heads from Embassies Beijing and Seoul. On climate change, for example, the GOJ wants U.S. assistance in finding incentives to encourage action by emerging economies, notably China. Convincing China to grant full national treatment for investors and to improve its overall business climate were additional areas put forward for possible cooperation between the U.S. and Japan. At the same time, GOJ officials remained cautious about moving quickly with the U.S. on APEC-based initiatives for regional economic integration and on possible WTO cases against China. Although they generally welcomed improved overall relations between Japan and South Korea, none of the senior GOJ officials handling economic issues we met exhibited a sense of urgency to move that relationship forward. End summary.

Environment Ministry Seeks Emerging Economy Incentives
on Climate Change

12. (C) Ministry of Environment Councilor for Global Environment Ryutaro Yatsu told the EMINs from Embassies Beijing, Seoul, and Tokyo March 27 Japan wants to strengthen bilateral cooperation with the U.S. on climate change. Japan seeks a "concerted effort (with the U.S.) toward emerging economies and developing countries" for the Lake Toya G-8 Summit, Yatsu said. To that end, the PM's Special Advisor, Hiroshi Okuda, will travel to China to obtain further climate change commitments for the China-Japan summit in May.

(Okuda, a former president of Toyota, advises PM Fukuda on climate change.) Japan also wants to encourage Korea to become an Annex I country -- i.e., to take on developed country responsibilities -- under the United Nations Framework Convention on Climate Change (UNFCCC). After all, Yatsu continued, Korea joined the OECD immediately after signing the UNFCCC. He said PM Fukuda is to discuss this matter with Korea's new president at their upcoming bilateral summit.

13. (C) Yatsu also raised the intellectual property concerns surrounding efforts to transfer clean energy technology to developing countries and the need to set up new mechanisms to support action in these countries on climate change. He said the sector-based approach to reducing emissions that Japan advocates will be a major topic of discussion at the next Major Economies Meeting in Paris and suggested the U.S. and Japan work to determine what our industries can do to encourage developing countries to take sectoral action.

Foreign Ministry: Investment, Energy Possible Areas
for Cooperation on China; Cautious on Korea Trade
Agreement and FTAAP

14. (C) Despite improved Japan-China relations, China's refusal to accept the principle of national treatment in the pre-establishment phase on investment has slowed progress toward a three-way investment agreement among Japan, China, and South Korea, according to MOFA Deputy Director General for Economic Affairs Sumio Kusaka. Kusaka suggested the U.S. and Japan could work together to change China's hard line on

TOKYO 00000912 002 OF 003

this issue. Second North America Division Director Noriyuki Shikata suggested, apart from investment, Japan and the U.S. might also look to cooperate in helping improve intellectual property protection in China, particularly through efforts at the local level, and in finding ways to have China participate in the International Energy Agency (IEA) even though it is not an OECD member. Kusaka observed China has focused on more on limiting Taiwan's interaction with the OECD than on working toward its own eventual membership in the organization.

15. (C) Restarting Japan-Korea "economic partnership agreement" (EPA) negotiations could prove problematic, Kusaka said. The improved political environment between Tokyo and Seoul has not changed the fundamental economic issues affecting the ability of the two sides to reach an agreement. Kusaka acknowledged Korea, which runs a large and chronic trade deficit with Japan, will want significant Japanese concession on market access in areas such as agriculture and automobiles in order to renew the talks. Furthermore, the Korean side likely will want to focus first on ratification of the KORUS FTA and Korea's ongoing negotiations with the EU rather than complicate these discussions by launching a new effort with Japan, Kusaka surmised.

16. (C) Regarding future regional economic architecture, Kusaka noted there is already agreement within APEC to study the concept of a Free Trade Area of the Asia-Pacific (FTAAP). He posited a small group of like-minded countries, centered on the United States and Japan, might work toward creating such a trans-Pacific economic agreement. With elections in the U.S., however, discussions between the two countries on this idea can take place only at the working level right now, Kusaka asserted. The MOFA APEC Office Director, Mitsuyo Shino, added there is no need to report out ideas on FTAAP this year. Rather, it is important right now to remain open to all possible models, she stressed.

METI: Trilateral Investment Negotiations Will Last
Years; Focus on Improving Business Climate, Not WTO

¶17. (C) Japan's goals in the trilateral investment agreement negotiations center on China, Ministry of Economy, Trade, and Industry (METI) Trade Policy Director-General Hiroyuki Ishige indicated during his meeting with the economic minister-counselors. In addition to pre-establishment national treatment, the GOJ wants China to agree to expanded use of international investment dispute settlement mechanisms, elimination of performance requirements on foreign investment projects, and increased administrative transparency. The general sense in METI, however, is negotiating the agreement will take years because, as the Chinese have highlighted in the talks to date, there are so many measures -- at the local as well as the national levels -- that do not conform to national treatment principles.

¶18. (C) Advocacy for change in Chinese policy on rare earth exports, addressing China's demand for high technology products and systems, and efforts to improve the business climate in China are other possible areas of U.S.-Japan cooperation, Ishige suggested. He characterized China's export quotas on rare earths as a probable violation of its WTO commitments but noted fears of Chinese retaliation made Japanese firms hesitant to call for WTO dispute settlement of

TOKYO 00000912 003 OF 003

the issue, and a decision by China to increase export quotas last year had also relieved pressure on the GOJ to launch a case in Geneva. During the December 2007 High-level Economic Dialogue, the PRC had also asked Japan to agree to a list of technologies the GOJ would authorize for export to China, Ishige recounted. Part of the Chinese argument for their request, he reported, was that the U.S. had already established such a set of guidelines with Chinese authorities. Ishige also broached the idea of greater U.S.-Japan cooperation on improving the business environment in China. He indicated METI is interested in doing a public study contrasting conditions in China with those in other Asian countries as a way to put pressure on China. Ishige wondered whether the USG had undertaken any similar research.

¶19. (C) When negotiations on the economic partnership agreement with Korea were suspended in 2004, no one believed the hiatus would be as long as it has been, Ishige said. Even though Korea's new President, Lee Myung-bak, and PM Fukuda had both indicated a desire to restart the talks, other Korean officials had been less positive, citing Japan's failure to make concessions on agricultural trade. The GOJ hoped to use President Lee's planned April 21 visit to Japan to push for renewed negotiations.

Comment

¶10. (C) Dealing with China -- notably the difficulties in doing so -- was the common thread in the remarks by GOJ officials March 27. While the Japanese officials we spoke with seemed pleased at the prospect of improved overall relations with Korea, they exhibited no urgency with respect to moving the economic relationship forward. On China, however, the Japanese officials have a specific list of topics in mind where they might want to cooperate with the U.S., but without a broader strategy to increase economic integration and mutual trust among the three major Northeast Asian economies.

¶11. (U) Embassies Beijing and Seoul cleared this message.
SCHIEFFER